Government of Karnataka to the Union Ministry of Rural Development, Department of Drinking Water Supply, in June, 2003, but Government's clearance of the project and release of the requisite grants are still awaited. With the result, poor rural students of Karnataka are suffering.

I, therefore, earnestly request the Government to give priority to this and clear this ambitious project of Karnataka and release the Central grant of Rs. 177.40 crores to the State forthwith so as to enable the State to implement the project which will give the desired relief to lakhs of students of rural schools in Karnataka. Thank you.

मौलाना ओबैदुल्ला खान आज़मी (मध्य प्रदेश): सर, मैं अपने आपको इस विषय से एसोसिएट करता हूं।

†[مولانا عبیداللہ خان اعظمی "مدھیہ پردیش": سر، میں اپنے آپ کو اس وشے سے ایسوسی ایٹ کرتا ہوں۔]

श्रीमती जमना देवी बारुपाल (राजस्थान): सर, मैं भी अपने आपको इस विषय से सम्बद्ध करती हूं।

SHRI MURLI DEORA (Maharashtra): Sir, I also associate with the Special Mention made by the hon. Member.

GOVERNMENT BILLS

The Disaster Management Bill, 2005

THE MINISTER OF HOME AFFAIRS (SHRI SHIVRAJ V. PATIL): Sir, I move for leave to introduce a Bill to provide for the effective management of disasters and for matters connected therewith and incidental thereto.

The question was put and the motion was adopted.

SHRI SHIVRAJ V. PATIL: Sir, I introduce the Bill.

The prevention of money-laundering (Amendment) Bill, 2005

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): Sir, I move:—

"That the Bill to amend the Prevention of Money-Laundering Act, 2002, as passed by Lok Sabha, be taken into consideration."

Sir, as hon. Members are aware, the Prevention of Money-Laundering

†Transliteration in Urdu Script.

Act, 2002 was enacted to prevent money-laundering and to provide for confiscation of property derived from, or, involved in money-laundering. The enactment of this Act had become necessary to implement the political declaration adopted by the Special Session of the United Nations General Assembly held in June, 1999 which called upon Member-States to adopt national money-laundering legislation and programme. The Act stipulates that it shall come into force on such date as the Central Government may notify. While examining the Act before notifying, I found that there were certain lacunae and these lacunae made it difficult to notify the Act. Under Section 45 of the Act, every offence punishable under the Act is made cognizable. By virtue of the definition of 'cognizable' in the Criminal Procedure Code, any Police Officer can arrest an offender without a warrant. At the same time, under Section 19 of the Act, the Director, the Deputy Director, the Assistant Director, or, any other officer authorised, can arrest an offender. Therefore, in the Act, there are two sets of officers; the officers named in the Act and the regular Police Officers who can exercise the powers of arrest. However, under the second proviso to Section 45 (1) (b), the special court can take cognizance of an offence punishable under Section 4 only upon a complaint, in writing, made by the Director, or, any officer authorised by the Central Government. So, obviously, these provisions were in conflict with each other. The question arose as to what would happen to a person arrested by a regular Police Officer in a regular Police Station. Now, through amendments under Sections 44 and 45, we have made the offences non-cognizable. Once the PMLA comes into force, we will prescribe a threshold limit, below which we will authorise any Police Officer to take action. In all other cases, that is, cases above the threshold limit, the powers will vest in the Director, or, any officer authorised by him. This will bring the provisions consistent with Section 45(1)(b). The second shortcoming that we noticed was that expressions "investigation" and "investigating officer", which occur in a number of Sections, had not been defined. The definition had, therefore, to be derived from the Criminal Procedure Code, which provides for investigation only by a Police Officer, or, by any person who is authorised by a magistrate in this behalf.

So, the question arose how will the Director or the Deputy Director investigate an offence? So, we are curing that lacuna by inserting a definition in Section 2. Another difficulty that we came across was a huge expenditure involved in setting up a separate Appellate Tribunal under the Act. It is, therefore, proposed to utilise the services of any existing Appellate Tribunal by notifying the Chairperson and Members of that Tribunal who possess

the qualifications prescribed in the Act as the Chairperson and Members of the Tribunal under the PMLA Act also. In order to bring the qualifications of the Chairperson of the Tribunal under PMLA in line with the Chairpersons of some other Tribunals, some small amendments are proposed in sections 28, 29 and 30 of the Act. I would like to assure the House that in proposing these amendments, we are not, I repeat, we are not diluting the impact of the Act, as new amendments are being proposed either to section 3, which defines an offence, or, section 4 which provides for punishment. Those sections remain intact. The only purpose of these amendments is to remove the lacunae, make the Act enforceable so that we can notify it quickly.

The question was proposed.

SHRI K. CHANDRAN PILLAI (Kerala): Sir, I rise to support the Prevention of Money-laundering (Amendment) Bill, 2005. It basically aimes at two insertions and one omission. While supporting it, I want to seek certain clarifications from the hon. Finance Minister, According to my understanding, the money-laundering activity in the country is of an alarming proportion. Sir, this Act of 2002 is actually an obligation of an International Political Declaration of the UNO. While considering our economy and the evil which we are facing due to black money and unaccounted money, according to me, this Act itself is not sufficient to tackle this basic question. While saying this, I want to add that estimates are saying - I don't know whether that is officially ratified - 40 per cent of the total amount comes in relation to the GDP in this unaccounted black money category. So many efforts were made and initiatives were taken in the past decade, but so far our efforts have not proved fruitful in tackling the basic question. Sir, especially in the regime of globalised economic scenario, quick money generation is a tendency which is now developing in the society. Considering that aspect also, we have to take certain stringent measures and some innovative initiatives, in this regard.

Sir, the hon. Minister just now mentioned about Section 3 and Section 4. Section 3 is basically related to offences and Section 4 is about punishment. According to my understanding, the present clauses on punishments, or, say, punishments which are suggested, are not adequate to the very offence which is creating so much negativity in the economy. So, at the earliest, we have to switch-over to that by making certain

amendments which are effective enough to tackle the question, to the best of our ability. While saying this, the UPA's National Common Minimum Programme envisaged certain activities or actions in order to tackle the question of black money in the economy. But, as suggested in the National Common Minimum Programme, in the last one year or so, no concrete initiatives were taken by the Ministry. In a way, social sector investment is also envisaged out of this unearthing of black money and taxation money which is coming into the exchequer. In such a scenario, while amending this Act with two new insertions, I am supporting this Bill. We are coming with such initiatives because of our experience and the hurdles that we faced. What I am suggesting is, this unaccounted money question involvement is actually by a very, very small percentage of our population. Corporate houses are one category, the terrorist money question is there and the drug money is there, and all such things are there. This very meagre percentage of our population is actually doing acute ruination of the economy. It is working in the economy as a cancer.

We made so many schemes of amnesty nature, starting from 1946 onwards up to 1997. In a good number of cases, the results showed that people took advantage of such schemes and the exchequer did not benefit as we actually planned. That is the real experience. In view of all these experiences in the tax regime, certain suggestions are to be looked into.

I think, a systematic study by taking some time, by getting some experts involving all sectors of the economy is a must. We have to go into the detailed study. Of course, there were studies earlier also, starting from the Wanchu Commission Report in 1959 onwards. But the point is, we have to identify which are the major sectors in the economy which make black money, unaccounted money. List them out, first of all. Secondly, the courses and circumstances that go into the generation have to be studied. Generation is not addressed anywhere. We are talking about tapping the money that is accumulated now in the economy. But the real panacea is to plug the generation itself. The generation part has to be taken care of to plug it effectively. In that way, while looking at the causes and circumstances which lead to the generation and considering the new globalised scenario, we have to seriously go by the new features which are demonstrating and manifesting in the economy. Such a competent team should go into the details.

Which are the mechanisms now followed in the country, in the economy,

to make this black money into white money? That has to be studied in depth. That is very important. Another thing is, while tapping the accumulated unaccounted money, we have to incorporate mechanisms which are not demoralising the genuine tax payers. That is also very important. Without demoralising the genuine tax payers, we have to adopt mechanisms to tap the accumulated money for the benefit of the economy at large.

Another thing is, effective and speedy punishments are not occuring. That is the basic problem. That also has to be addressed. As I said, clause 4, especially, has to be reviewed. On the voluntary disclosure schemes, I want to know in relation to the subject; not that I am insisting that you give right now. I want to know the status of our advantage which we made in the recent voluntary disclosure schemes. Some have expressed their positions. But, out of that, how much taxation we really edged to take stock of the position. I want to know what has happened. With these comments, I support the amendments and, I think, some of the clarifications would come from the Minister while he addresses all questions at last. Thank you.

SHRI JAIRAM RAMESH (Andhra Pradesh): Thank you, Mr. Deputy Chairman, Sir. Sir, I am beginning to wonder what is my parliamentary *Karma* that I have to get up and speak every time the Finance Minister has to introduce a Bill. Let me say straightaway, Sir, that I entirely agree with the amendments that have been proposed. But I would like to take this opportunity to raise four specific questions for the Finance Minister. I want to ask on the extent of money laundering. I want to say something on the money laundering legislation itself that Parliament enacted in November 2002 and that was gazetted in January 2003. I want to raise three or four issues pertaining to the Prevention of Money Laundering Act. Finally I want to talk a little bit about economic intelligence in its entirely, which is right now the responsibility of the Finance Ministry. Sir, before I do so, let me recall that it is this Finance Minister actually who made the first attempt at drafting a prevention of money laundering legislation in his first *avatar* as Finance Minister in 1996-97. It is unfortunate that the money laundering legislation that Parliament passed finally draws attention only to the fact that we were doing so in response to some UN resolution or UN convention and does not draw attention to the fact that we need this legislation because of our own domestic imperatives. So, it is not just

because of the UN that we brought about money laundering legislation. Sir, I would recall that in 1996-97 when amendments to FERA were first being talked about and it was first talked about that FERA should be replaced by FEMA, that the Foreign Exchange Regulation Act, 1973 should be replaced by a more forward looking, much more progressive foreign exchange management Act, it is the Finance Minister who said that transition from FERA to FEMA should be accompanied by enactment of legislation to prevent and control money laundering. Unfortunately, for variety of reasons that did not take place and subsequently it took the United Nations resolutions to force the Government into taking this legislative action. Sir, with this background, let me raise the four questions that I have. The first question is: What is the extent of money laundering in this country? Sir, money laundering broadly defined is the conversion of black money into white money, conversion of money acquired through illegal channels into legal channels. So, with this definition, Sir, I have been trying for the last few months to arrive at some understanding of the importance of this money-laundering problem in the Indian economy. Sir, I thought, I was under the impression that with liberalisation of gold imports that took place, again, in November 1996, which knocked the bottom out of hawala trade, with 9/11 which tightened restrictions on banking and financial institutions, particularly in West Asia and with increasing amount of workers' remittances coming in through official banking channels, the problem of money laundering is not as acute as we originally thought. Till, Sir, some months ago I had occasion to read an article in a very respected international magazine, called the New York Review of Books and it is a review of a book called Blood from Stones: The Secret Financial Network of Terror by Douglas Farah. And this is a review by a Yale Law College graduate Partick Radden Keefe. One paragraph in this review stands out and I would like to quote it for the Finance Minister's attention. Mr. Keefe in the course of reviewing this book says and I quote, "Today hawala is a vast global institution serving millions of people worldwide. Despite the fact that this system is illegal in India, Interpol estimated that in 1998 the amount of money circulating in India's hawala system totalled 680 billion dollars or roughly 40 per cent of the country's GDP." There is a footnote to this quotation and the footnote refers to an internal Interpol estimate. This is a mind boggling, almost unbelievable number-680 billion dollars. But, even if 10 per cent of it were to be true, it is 68 billion dollar which is a very, very large sum of money that we are talking about. So, I would like to start

by asking the Finance Minister whether he would like to take the Parliament into confidence as to what is the extent of the problem. Is it possible for us to arrive at some broad estimate of the extent to which black money is being laundered into white for which we have passed legislation earlier and for which amendments are sought to be introduced now? Sir, as I said, 680 billion dollar figure is too large, too incredible, too mind-boggling. But even if a small proporation of that were to be true, I think the problem of money-laundering is far more serious than people like me at least imagine after gold liberalisation, after the tightening of controls of international financial institutions and after an increasing amount of worker remittances coming in through official banking channels. Sir, let me now quickly move to my second point which is the money-laundering legislation itself. Sir, you would recall that Parliament passed the Prevention of Money-Laundering Act in November 2002 and this was subsequently gazetted on the 17th of January 2003. Sir, I find it somewhat strange that given the importance of this subject and given the state importance of this subject for successive Governments, the Act is yet to come into force. I find that a little odd to believe that we pass this legislation inconsonance with our international obligations. We created an environment which led us to believe that this was a very major and financial and economic issue and yet we find two and half years later the Act is yet to come into force and the Finance Minister now finds lacunae in this Act for which he is seeking legislation. Sir, I would like to ask the Finance Minister a very straight question. Since, January 2003, what has happened to this Act? Has the adjudicating authority, as envisaged in the Act, been set up? Has all the consequential actions that have been enjoined on the Government through this Act been taken? What has been the actual experience of the Government in the implementation of this Act? Since it has not come into force, I suppose the question is academic but having this law on the Statute Books would have made sure that the Finance Ministry would have taken a large number of actions in consonance with this Act and therefore, my second question would be to seek a clarification from the Finance Minister, since January 2003 what has been the action as enjoined on him by this Act. Sir, let me now move to my third point which is the critique of this Act. Mr. Fali Nariman is here and he is of course in a much better position than me to actually find out what the limitations are of this legislation. The Finance Minister himself has drafted an earlier piece of legislation. He would of course be perfectly familiar with these limitations. I am not a

lawyer, Sir, but talking to various people, talking to lawyers I must say, not to people in the money-laundering field, I hasten to add, talking to various experts, it seems to me that there are three criticisms that are being made of this legislation that Parliament has passed, which I would commend to the Finance Minister's attention and seek his clarification. Incidentally, Sir, very recently a very distinguished Indian police officer serving with the Punjab police got a Nehru Fellowship and has published a book called, "Crime and Money-Laundering in India" and much of what I say is derived from this book. Mr. Jyoti Trehan, whom I am sure is known to Mr. Manohar Singh Gill. Sir, the three criticisms that are being made for which I seek the Fiancne Minister's clarification is: one is that in the Schedule of offences that is indicated in the Act, POTA or the son of POTA, what has been the amended POTA, the Unlawful Detention and Prevention Act, what this Government has done that does not figure in the Schedule. The POTA did not figure in the Schedule and the revised legislation which has replaced POTA does not figure in the schedule. And, Since there is an intimate nexus between terrorism and money-laundering this is an important lacuna in this legislation. This is the first criticism that is being made.

The second criticism that has been made by people who have seen this Act is that the offences under the Prevention of Corruption Act, 1988, have been included in the Schedule, but the all important Section 13 of the Prevention of Corruption Act does not find a place in the Schedule. Only Sections 7,8,9 and 10 are there. Is this something that the hon. Finance Minister is worried about or should we be worried about?

The third comment that has been made is this. The Act does not allow I am subject to correction here as evidence undercover operations and electronic surveillance. In today's day and age, with the availability of technology, this, according to people, who have looked into this Act from an international perspective, the lack of clarity on whether undercover operations and electronic surveillance are going to be allowed as admissible evidence is again, as I said, something which is seen to be a limitation in this Act.

So, these are the three limitations. The first one is on the Schedule of offence, the second one is on the Prevention of Corruption Act and the third one is on whether modern technology like undercover operations and electronic surveillance is, actually, allowed as evidence.

Let me now go to the forth and final point of mine. It is about economic intelligence. Sir, money-laundering, of course, is one aspect of economic intelligence in the Ministry of Finance. You have various streams of economic intelligence. You have narcotics control. You have revenue intelligence which looks at the direct taxes and the indirect taxes. You have COFEPOSA, which looks at foreign exchange violations and, of course, you have the FEMA and now you have the money-laundering legislation, according to which the Government has set up the FIU (IND). The Director, under Section 13 of the Prevention of Money-laundering Act, is designated as the Director of FIU (IND) may either of his own motion or on an application made any authority, officer or person I am quoting from a reply given by the Ministry of Finance to a query raised by a Member of the Standing Committee to which I am also a Member—call for records and may make such enquires or cause any such enquiry to be made as he thinks fit. The point I want to make is this. Now, you have the FIU (IND). You have, undoubtedly, machinery for narcotics intelligeance. You already have very elaborate machinery for revenue intelligence. And, you have the CEIB in the Finance Ministry which ostensibly brings, consolidates all economic intelligence to the Finance Minister and the higher authorities for action. I was given to understand that the Central Economic Intelligence Bureau acts as a Secretariat for an organisation called the Economic Intelligence Council which is headed by the hon. Finance Minister. I made some enquiries recently as to how frequently the Economic Intelligence Council meets. I was told that the first meeting took place in 1997. The second meeting took place in 2000 and after that the Economic Intelligence Council has simply not met. If this is going to be the attitude of the hon. Finance Minister whoever be in occupation of that seat is immaterial—or the Finance Ministry to economic intelligence encompassing revenue intelligence, narcotics intelligence and now money-laundering intelligence. After all, economic intelligence has to be looked at holistically and in a comprehensive manner. I would request the hon. Finance Minister to give this economic intelligence activity of his Ministry of which money-laundering is only one part far greater importance and far greater significance than seems to have been the case so far. As I said, we are creating, we are proliferating authorities, we are proliferating bureaucratic and judicial bodies, but, ultimately, they must all end up in concrete action by the Government. Ultimately, it must end up by executive action to control whatever is being sought to be controlled, whether it is the growth of narcotics, whether it is the growth of black money, and whether it is the violation of FEMA, or,

now, as we are discussing today, the violation of the money laundering legislation. So, Sir, while some amendments that the Finance Minister has proposed today, certainly, deserve our wholehearted support, I think, the larger issue which is bothering me, and which bothers many other people, looking at this whole area, is the, somewhat, lackadaisical approach we have taken in the past towards money laundering and economic crimes, having created the institutions, not having worked these institutions effectively. I would only end by requesting the Finance Minister to take us into confidence on what he is proposing to do to give far greater importance to this whole business of economic intelligence in its entirety, as part of his brief as Finance Minister. Thank you.

MR. DEPUTY CHAIRMAN: Shri P.G. Narayanan, you have six minutes.

SHRI P.G. NARAYANAN (Tamil Nadu): Mr. Deputy Chairman, Sir, money laundering is a menace to the growing economy of our country. Money derived from illegal activities is converted into assets so as to appear to have accrued from legitimate sources. Sir, the major macro economic problems have been linked to the growing black money economy. This serious menace could pose a threat to the national economy and even to the stability of the international financial system. Sir, the argument was that to curb the growing black money economy, control needs to be reduced. Tax rates should be lowered. Now, many of the controls have been removed. Direct tax rates have been drastically reduced, but the present indication is that black economy has continued to grow, even after tax reduction and reduction of controls. The aim of the Money-Landering Act is to reduce the black money regime activities to the minimum possible level. The Act was enacted in 2002. This amendment has been brought forward to remove certain practical difficulties in the effective implementation of this Act. Sir, according to the new amendment, the police officer is given powers to investigate. The police officer should start his investigation only after he has been, specifically, authorised by the Central Government. Wide powers of arrest, survey, search and seizure have been conferred on these officers.

Sir, the Indian industry has expressed serious apprehensions about the Money-Laundering Act. The major concern is, a person can be picked up on suspicion of indulging in money laundering and acquiring property with that money, and the offence is non-bailable until the Appellate Authority decides the case. Besides, the onus of proving his innocence is on the suspect.

This could well mean that the people could remain behind bars till the Appellate authority decides the case, as an appeal to the High Court was possible only after the Appellate Authority delivered its judgment. Sir, another apprehension is about the provisions relating to falsifications of accounts. The definition of falsification of accounts under IPC was ambiguous, and hence, could empower officials with discretionary authority. The Enforcement authorities have three discretionary powers to arrest the people on suspicion. Officials could fix the appointments by invoking the sections 8 and 9. So, even an invitation to a dinner could be described as exercising personal influence on public servants, and hence, violative of the prevention of money laundering legislation. So, I strongly urge the Government to consider the possible apprehensions raised by various quarters and see to it that stringent provisions should not be misused at any cost. Thank you.

SHRI FALI S. NARIMAN (Nominated): Mr. Deputy Chairman, Sir, years ago when I was in college, we had a book in politics called, "How India is Governed" by Mr. Appadurai. And, I am reflecting today on how poorly India is governed. My chagrin is due to this, and I share Mr. Jairam Ramesh's concern that I happened to be present, Sir, when this Bill was passed into an Act in 2002. And the enormity of the problems of not bringing this Act into force is quite obvious. I only rise to speak and mention one fact to the hon. members I don't know whether all of them know—that a Bill which is passed by this House and ultimately becomes an Act after being passed by the Lok Sabha, if it is not brought into force, it cannot be enforced, and no one, not even the Supreme Court can compel the Government to bring it into force. That is the decision of the Supreme Court. So, the Government may choose to bring in a law, we all debate it, we all become very happy that it has been passed, but if it is not implemented and not brought into force, nothing at all can be done about it. Just see the enormity of the problems that has arisen, Sir. If you see the offence of money-laundering, it is apparent that, it was not brought into force only because of the enormous expenses that would be incurred by setting up a new machinery for bringing it into force. But, see, what all has happened in the meanwhile. The proceeds of crime are sought to be tackled with this Bill. One of the proceeds of the crime, and the source of the proceeds of crime is from offences established under the Prevention of Corruption Act. It is as simple as that. How many millions of rupees have been passed from 2002 to now,

and how many people have been convicted or in the course of being convicted under the Prevention of Corruption Act. Crores of money has been found. You will not be able to trace this money, you will not be able to confiscate anything because this Act was simply not brought into force. Sir, I have a suggestion for the hon. Finance Minister, it is also a suggestion to other hon. Ministers and to all of us who take part in the debates on those Bills that one important thing to do the moment an Act is passed and has received the Presidential assent is to, at least, bring into force section 1(i) of the Act, because then there is no retrospective operation of the Act. The Act comes into force on the day when it is said that it comes into force even if the other provisions don't come into force. Therefore, the Act is in force. Now, take the case of investigation. You are setting up a Directorate and so on. Will your Directorate be able to go into past transactions? Obviously not. They are all scot-free. Only for the future, you will get into it, even if the Principal Act is not brought into force. I never knew this, Sir. I am very grateful to the hon. Finance Minister to tell us this. We didn't know that this Act that we solemnly passed in this House in 2002 after great debate was such an important thing. This was done pursuant to a UN Resolution, which had sanctions behind it, saying, "if you do not pass the Money-Laundering legislation"— If you remember, it was a part of terrorist and crime business—"it would be taken with extraordinary seriousness". But this is how successive Governments have treated it. They have not treated it seriously at all. This is a very, very great problem, Sir, which I find. All Governments, including the present and the past, move even slower than glaciers in the Himalayas. Therefore, Sir, this is a very, very serious matter, and I would require some explanation from the hon. Minister and also from various other Groups of Ministers.

We keep passing Bills. We are so happy to pass Bills. Tomorrow we will pass something else. They day after tomorrow we would pass something else. But since it is not brought into force, strictly speaking, it cannot be implemented. And, if it cannot be implemented, certainly criminal sanctions cannot be taken. We have all this great paraphernalia of criminal sanctions. Special courts have been set up under the principal Act. There is no court functioning from 2002 under this Act. What is happening in the meanwhile to the Money Laundering? Money laundering is going scot-free. Let us face it. This is the tragedy of legislation in this country. This is the problem and someone must look into it.

I would earnestly request the hon. Finance Minister, who has very candidly and frankly told us that since 2002 this Act has not been brought into force. That was probably because the infrastructure was not there, although it was required to be there. So, it was just on paper. It is just a meaningless law. There is no law at all. It is there just in order to conform to some UN Resolution, whereas, as Mr. Jairam Ramesh rightly pointed out, we have crores of rupees in money-laundering going on. No one knows what it is all about; there is no intelligence about it. Therefore, I am glad, at least, the Minister has applied his mind to this legislation and has taken it in hand and made some amendments. But, when are we going to have the special courts? When are we going to have the tribunals? When are people going to be hauled up for the proceeds of crime? Proceeds of crime are being used for offences established under the Prevention of Corruption Act, which we all know about. I am not talking of Arms Act and all those other aspects, which are there.

Therefore, Sir, I would like to make an earnest request to the hon. Finance Minister. Of course, this is a perfectly inocuous Bill and we would, of course, pass it unanimously. But is raises a very, very serious problem in the passing of these measures. We get from the Lok Sabha a Bill; immediately, the next day, we pass it. We all think that it is a great law that we have passed. But it is nothing. The President gives his assent, thinking that everything would be done, but nothing is done. No one can enforce this. No one can compel any Government in this country to bring a law into force. In fact, I do not know if hon. Members know that Article 22 of the Constitution, which provided for an advisory board for preventive detention to consist of sitting judges, was enacted in the year 1978. It has still not been brought into force. Nothing has happened about that.

[THE VICE-CHAIRMAN (SHRI SANTOSH BAGRODIA): In the Chair]

Somebody attempted to say that it should be brought into force by Judges of the Supreme Court and they said they cannot ask the Government by when to bring it into force. This is one of the anomalies of law making and we have to be very, very careful when we are making these laws to see that they are implemented, because after that, nobody can call anyone else to account. This is not the case with this Government only. This is endemic to all the Governments. That is all I wish to say. Thank you.

श्री मंगनी लाल मंडल (बिहार): उपसभाध्यक्ष महोदय, मैं इससे पहले ही समाप्त कर दूंगा।

महोदय, इस विधेयक के संबंध में श्री जय राम रमेश जी और मान्यवर नारीमन साहब ने जो बातें कही हैं, मैं उनका समर्थन करता हूं। माननीय वित्त मंत्री जी इस विधेयक के प्रारूप से संबद्ध रहे हैं, जैसा कि श्री रमेश जी ने बताया। वर्ष 2002 में यह पारित हुआ, संयुक्त रा.ष्ट्र के दबाव से यह बना या अमरीका के दबाव से, यह नहीं कहा जा सकता है, लेकिन जैसा कि श्री रमेश जी ने कहा है कि स्वत: प्रेरित होकर के यह भारत में काले धन की जो समानान्तर अर्थव्यवस्था है, उस पर कैसे नियंत्रण पाया जाए, इसके लिए यह बिल लाया गया है, यह नहीं जानते हैं। नारीमन साहब ने भी अपनी बातें कही हैं।

महोदय, इस सदन में बड़ी चिंता जताई गई और मैं उस समय सदस्य नहीं था। नारीमन साहब का भाषण हमने पढ़ा है कि राज्य सभा की प्रवर समिति में यह आशंका जताई गई, सारे प्रावधानों के चलते जब प्रवर समिति में इसे भेजा गया और प्रवर समिति ने जब अनुशंसा की तो अंतिम रूप से यह विधेयक इस सदन में आया। उस समय नारीमन साहब ने कुछ सुझाव दिए थे। जेठमलानी साहब अभी सदन में नहीं हैं, जेठमलानी साहब ने भी सुझाव दिए थे और सरकार ने कहा था कि नारीमन साहब और जेठमलानी साहब के जो सुझाव हैं और जो अन्य सदस्यों के भी सुझाव हैं, विधेयक को जब हम प्रवर्तन में लाएंगे, प्रभाव में लाएंगे तो इनका ख्याल रखेंगे। नारीमन साहब ने सही कहा कि इसको अभी प्रवर्तन में नहीं लाया गया है, प्रभाव में नहीं लाया गया है, यह दुख की बात है, लेकिन महोदय, जो भी संशोधन लाए गए हैं, मैं उनका समर्थन करता हूं।

एक बात हो सकती है, जो मैंने नहीं समझी हो या नहीं सुनी हो, सैक्शन 29 के बारे में कहा गया है कि इसे विलोपित किया जाएगा। अभी संशोधन में जो विलोपन है 29 के बारे में, उसे स्पष्ट नहीं किया गया है। जब माननीय वित्त मंत्री जी ने इस पर अपनी राय रखी है, प्रकाश डाला है, तो 29 में क्या प्रावधान किया गया है, इसके बारे में नहीं कहा गया है। दूसरी बात हवाला के बारे में कही गई है कि हावाला कहां तक प्रभावी हुआ, यह कहां तक इसका क्षेत्राधिकार बढ़ाएगा। बैंक को अधिकार तो दिया गया है कि बैंक में जो रुपया जमा होगा, बैंक को यह अधिकार होगा कि वह पता लगाए कि इसका ज़रिया कहां है, स्रोत कहां है, लेकिन, महोदय, जो शेयर दलाल हैं, शेयर दलाल में बड़े पैमाने पर काला धन निहित है और एक तरह से समानांतर अर्थव्यवस्था के लिए शेयर दलाल सबसे बड़ा अड्डा हैं, उनको इसके क्षेत्राधिकार में नहीं लाया गया है।

मैं माननीय वित्त मंत्री जी से इन्हीं बातों के साथ अनुरोध करता हूं कि अनुच्छेद 29, सैक्शन 29 को क्यों विलोपित किया गया, क्या प्रावधान था, वे इसके बारे में बताएं और शेयर दलाल को भी

इसके प्रावधन के अंतर्गत, इसकी परिधि में रखा जाए।

इन्हीं शब्दों के साथ जो संशोधन माननीय वित्त मंत्री जी ने यहां रखा है, मैं उसका समर्थन करता हूं।

THE VICE-CHAIRMAN (SHRI SANTOSH BAGRODIA): Now, we have another two minutes. ...(*Interruptions*)...There are a number of speakers. I am only trying to say, do we adjourn right now or Dr. Subbarami Reddy can continue for two minutes and then re-continue after lunch at two of the clock? What do you want?

DR. T. SUBBARAMI REDDY (Andhra Pradesh): First, I will speak for two minutes and then re-continue it at two of the clock.

First, I support the amendments of the Bill. In 1996, the FERA, as Shri Jairam Ramesh mentioned, had sweeping powers. In fact, a number of officials were misusing FERA and terrorism was created in the Indian economy. There was an uproar in the Indian industry. Then after careful examination, they wanted to replace FERA with FEMA. When it was decided to replace FERA with FEMA, then the Government felt that there should be a Money Laundering Bill, which will control and totally curb the use of black money, and also stop the inflow of black money from foreign countries. Money laundering does not deal only with black money within the country, but there are various possible channels to get the money in an illegal manner from various countries of the world and throw it into the Indian economy by misusing the system. Therefore, the Money Laundering Bill was there. It was passed in 2002. At the same time, as Shri Nariman mentioned, it is a million dollar question. What made the Governments to just lie down and not implement this important thing? Today, they are saying that they want to have a Tribunal but by giving additional charge of Director of some other Tribunal, and not by having its own full-fledged infrastructure. Another most important question is, how to curb black money through Money Laundering? The second point is as to what are the defects. In the anxiety to control the black money through this Act, we should not harm the Indian economy and industries also. As Shri P.G. Narayanan mentioned, there is every possibility of misusing this Act and punishing opponents by just confiscating their property and arresting them and without giving bail or proper opportunity to them. They have to go to the Tribunals and then only they can go to the High Courts. This is the procedure. The

hon. Minister must give a reply to the Indian industry, while giving the reply here, as to what are the steps that they are taking. Sir, suppose a criminal is caught and it is proved, we are happy, but in the prcoess of catching the criminals if some innocent people...

MR. VICE-CHAIRMAN (SHRI SANTOSH BAGRODIA): Wait, wait. The House is adjourned till 2 o'clock for lunch.

The House then adjourned for lunch at one of the clock.

The House reassembled after lunch at two minues past two of the clock.

MR. DEPUTY CHAIRMAN in the Chair.

MR. DEPUTY CHAIRMAN: Subbarami Reddyji, you have already taken some time. You have got only three minutes.

DR. T. SUBBARAMI REDDY: Sir, I am finishing within five minutes. Sir, I would like to draw the attention of the hon. Finance Minister that his role is very sensitive, very sophisticated and very important in protecting the Indian economy and controlling the cirminals and taking action and see that industrial growth takes place and ultimately prosperity and focus of the country is achieved. it is all inter-linked, Sir. In fact, in 1996, due to some erratic officials, there was a storm in the Indian economy due to the FERA, for which the entire nation and all the federations of the industries came forward and appealed to the Government to replace that Act with some constructive method. So, the FEMA was born in place of FERA. At that time, in order to control money, flowing from foreign counries, and black money within the country also, this Money Laundering Bill was introduced and passed. Of course, Mr. Nariman's point was of a great concern that why it was not implemented from 2002. I question the NDA government why they did not implement it in 2002. It is their failure. so, our Government has brought this Bill. I congratulate the Finance Minister, at least, he has come forward with some amendments and he is going to implement it. But, at the same time, most importantly, what he has to bear in mind is, on the one side, he has the responsibility to see that the black money is curbed, the illegal money, flowing from foreign countries to India, is controlled and Acts should be enforced against the criminals; and, on the other side, he has to see that innocent people should not be harassed and the industry of the country should not be affected, due to

which the entire economic situation can be disturbed. Therefore, the Act is giving sweeping powers to the Government. You can simply arrest a person straightway on suspicion. On suspicion, you can confiscate a person. Then, he cannot go to the High Court. As per the Constitution of India, a citizen of the country has got the right to take justice from the High Court any time. But, this Act totally seizes that right of the citizens which was given to them by the Constitution of India. The tribunals have been given the powers. A person has to go to tribunal first. Then only, he can go to the High Court. So, I would like to know from the finance Minister, what period, what time, he has fixed for this. For instance, if somebody has been arrested or some property is confiscated, then, how much time will it take? Some time limit should be there. Otherwise, if it takes a few years, what would be the fate of the people? If something happens, then, there may be no sympathy. Hon. Member, Mr. Narayan was also pleading in the morning that "Yes, we have to bear that in mind". Therefore, on the one side by amending the Bill—I am also surprised—by building the infrastructure, the Ministry is proposing to make a tribunal. The existing tribunal Chairman may act as the Chairman of this new money laundering tribunal also. I doubt whether that person will have sufficient time to mange both. A tribunal with its Chairman is there. If the same Chairman will take additional charge of money laundering, then will he have the sufficient time to handle it? Suppose he takes more time, then what will happen to this implementation Act? This is a very important point. Why can't we make a fresh tribunal?

Instead of giving some additional charge to somebody else, why can't we make retired judges of the Supreme Court or High Courts as Chairman and Members? That has to be borne in mind.

Lastly, I would like to seek one categorical clarification from the Finance Minister in his reply as to how he is going to see that this Act should not be misused. The entire House, and the people of India are very much interested to see that criminals are punished and that illegal actions should not take place. The United States of America had commented that the maximum money laundering was going on in India and Pakistan in the world. So, we have to give a message that we are not like that, and we are controlling it. It is a welcome step. But how are we going to control it? I want a clarification from the Finance Minister on this point. With this, I support the Bill. Thank you, Sir.

SHRI R.P. GOENKA (Rajasthan): Mr. Deputy Chairman, Sir, I rise to support the Prevention of Money-Laundering (Amendment) Bill, 2005. It is true that we are now implementing this Act after the U.N. General Assembly, in 1999 recommended that we should do it. This Bill was discussed in the Finance Ministry's Standing Committee in great detail. Therefore, I will not go into any details. It is mentioned here that only after specific authorisation by the Central Government, investigation of an offence shall be investigated by a Police Officer. That is a very good point. I compliment the Finance Minister for it. Here I expected some of the speakers to mention that the Finance Minister in his Budget Speech brought about a new term 'trail' with a new meaning, trail of black money. This will help in reducing money laundering to a great extent. Sir, Dr. T. Subbarami Reddy said that there should not be any harassment. In the past few years, we had harassment from Foreign Exchange and Income Tax Departments. It should not be repeated.

Sir, Mr. Jairam Ramesh mentioned or quoted from a book that black money worth 600 billion dollars went through *hawala*. During lunch hour, I sat down and tried to work out as to how much 600 billion dollars would be in terms of rupees. Sir, I got confused. Sir, I calculated and concluded 24,000 crores. No, sorry, Sir, it's 240,000 crores. Yes, Sir, I admit that I got confused on zeros ...*(interruptions)*...

MR. DEPUTY CHAIRMAN: No, no, we have to complete this early.

SHRI R.P. GOENKA: Sir, I have only one confusion. If we see amendment of Section 2, it reads, "investigation includes all the proceedings under this Act conducted by the director or by an authority, authorised by the Central Government." That means, there are two agencies—Central Government and the Director. And which Director? The Finance Ministry has six or seven agencies. So, what is meant by 'director'? All the six or seven of those agencies can do it or any particular person will be specified? Sir, I know you have allowed me to speak. I wanted to continue as I have brought a few more points. But here, with these words, I support the amendments and this Bill fully.

SHRIMATI PREMA CARIAPPA (Karnataka): Thank you, Mr. Deputy Chairman. Sir, I rise to support the Prevention of Money Laundering Bill, 2005. Sir, the black money is a cancerous growth in the country's economy, which needs to be handled with utmost seriousness and urgency to prevent this ruination. Sir, I prefer to give a few remedies for this. That's all. Since

the existing schemes to tackle the menace of black money have been only a partial success, some new strategies could be considered.

Firstly, black money menace needs to be handled administratively also and not merely by legislation. Secondly, one of the most potent ways to check and track evaded incomes and erring taxpayers is the method of survey, both internal and external. The research being that even in the current computerised regime, no foolproof system of information gathering and matching has been successfully evolved. Hence, survey method could be more effective. Thirdly, it is necessary to gather information on extravagant expenditure in connection with any function, ceremony or event. This provision can disclose a lot of information about black money. Of course, here too, care should be taken to see that it does not hurt the sentiments of those involved. Fourthly, it is necessary to use raids, search and seizure efficaciously, which serves the purpose of providing information about black money as well as deterrent for others. Fifthly, public awareness has to be promoted to make people understand that if they defraud the revenue, they are committing a mean and despicable offence against everyone of their fellow taxpayers. lastly, provisions relating to penalty and prosecution have to be used effectively against tax criminals. Frauds should be punished by terms of imprisonment. Thank you, Sir.

MR. DEPUTY CHAIRMAN: Thank you. Now, Mr. Santosh Bagrodia, two minutes to seek some clarifications.

SHRI SANTOSH BAGRODIA (Rajasthan): Yes, Sir, I am only seeking clarifications. I cannot afford to disobey you or not to agree to your order. Sir, I was just wondering what is 'laundering'? Because as a layman, I only know that my clothes are being laundered. What is this 'money laundering'? If it is from unaccounted to accounted and accounted to unaccounted, both are laundering. If it is washing, it means black should be made white or dirty should be madewjite or dirty should be made good. If that is so, what is wrong in it? This is what my commonsense says. If somebody makes black money as white or unaccounted money as accounted, I mean, that should be welcomed. This is what I was just thinking. Anyway, money laundering, probably, in this, is considered to be a bad word.

MR. DEPUTY CHAIRMAN: It is only an amendment Bill. Already, the Act exists.

SHRI SANTOSH BAGRODIA: The Act is there; I fully agree with you. But I was just wondering since morning what this word 'laundering' means.

MR. DEPUTY CHAIRMAN: You should have questioned it when it was passed.

SHRI SANTOSH BAGRODIA: Sir, I am supporting it, but I have got some queries. The Act provided for an Appellate Tribunal. Since there are, unlikely, to be many appeals, the Amendment provides for the existing Appellate Tribunals, under similar Acts, to act as the Appellate Tribunal for money laundering cases too. As such, are we moving towards a new tier of Tribunals to decide on appeals on specific cases of economic offences? I know that this law is required because of the U.N. Resolution only. That is all right. Is it true that the US Intelligence agencies are targeting the Indian diamond industry and its linkages in international diamond market as one of the major pool of money laundering? What is the Government's response to such a situation? Does the Government agree with the US Intelligence assessment on the linkages between the underworld and the diamond trade?

It is surprising to learn that of the total FDI coming into the country, Sir, the largest segment of FDI, about 35 per cent, comes from Mauritius (distant second being US, just the half of it, about 17 per cent, the entire Europe constitutes about 20 per cent of the total FDI into the country). What are the sectors to which this FDI from Mauritius has gone? What are the entities that have made this investment? Does the Government consider it to be an anomalous situation? Has the issue been visited from the money-laundering angle? This is what I was trying to say. But if many people are getting money from there also, as far as the Indian economy is concerned, what is the reaction of the hon. Minister to that situation? *(Time-bell)* I will take one minute more, if you permit me,Sir.

Have the new laws made the legitimate repatriation of money difficult for the Indian community abroad by introducing element of scrutiny, approvals and paper work? If so, what steps are being taken to simplify the procedures?

Lastly, is the Government aware of Financial Action Task Force in international alliance to monitor and check economic offences? Please

give the details. Does India propose to joint his alliance?

SHRI P. CHIDAMBARAM: Mr. Deputy Chairman, Sir, I am grateful to a large number of hon. Members who participated in this discussion on the Amendment Bill. Sir, as you rightly observed, a minute ago , this Act is an Act which is passed by both the Lok Sabha and the Rajya Sabha. It has not yet been brought into force because the Parliament did not notify a date, but gave power to the Government to notify a date. Sub-section 3 of section 1 authorised the Government to appoint the date. On the other hand, the Parliament had said, "This Act shall come into force at once." Or, if the Parliament had said "this Act shall come into force upon receiving the assent of the President", it would have come into force. But for good or bad reasons, the Parliament gave this power to the Government, and I believe that Government ought to have acted promptly and notified the Act. But as it turns out, that Government did not notify the Act, and a lot of time has been lost in the process. Now, when our Government took over, in May, 2004, I found that this Act had not been notified, that the rules had not been made, that the Director contemplated had not been identified or notified, that we had not complied with the obligation of becoming a member of the FATF. Therefore, action was taken after the new Government settled down,—and I took a paper to the Cabinet in November—and then we found that a number of sections had to be amended. That is how these amendments are being brought into force. But, now, everything is ready. The rules have been drafted. The Director, under certain sections of the Act, who will be the Director, FIU (Int.) has been appointed. The other Director under certain other sections of the Act has been identified as the Director of Enforcement and we are now ready to bring this Act into force, and if all goes well and the President gives his assent, I expect to bring it into force on 1st June, 2005. I don't think any purpose will be served by finger pointing why I lost so much time. The fact is that a lot of time was lost.

Now, to answer the questions raised by the hon. Members, firstly, I think, there is a misconception about the scope of this Act. If hon. Members kindly see sections 3 and 4, section 3 defines the offence of money-laundering. Money-laundering is not necessarily the same as black money transactions. The are two different things. Black money, as we understand it, is money that is not accounted and money that is not offered for taxation. That is black money. All unaccounted money is not black money. For

example, a farmer, who has an income, maybe, Rs. 5 lakhs or Rs. 10 lakhs, does not have black money because his money is completely exempt from income-tax and he is entitled to have that money. His money is perfectly white money. He does not have black money. But when the farmer comes to a town or a city and buys, say, a pedestal fan or a ceiling fan and the shop-keeper does not give him a bill, the white money is converted into black money. The money in the hands of the shopkeeper becomes the black money. When the shopkeeper takes his family to a restaurant and the restaurant keeper gives a bill and he pays against that bill, in he hands of the restaurant owner it becomes white money. I think our understanding of black money and white money must be tempered by the fact that in this country, since a large part of the income is not subject to income-tax, money will keep moving from what is called the accounted economy into the unaccounted economy, what is called white economy to black economy. That is why I have always viewed this estimate of black money with great suspicion. In fact, one report made 20 years ago estimated to the last digit . I don't understand how anybody can estimate it to the last digit. It ended like some 231 or something. How do you account like that? But this Act has slightly different scope. The offence that is defined is "proceeds of crime and projecting it as untainted property". Firstly, a crime is committed. These crimes are listed in the Schedule to the Act. If that crime is committed and as a result of that crime money is generated or money is involved in that crime, that money, the proceeds of that crime, is tainted money. That money is now "laundered through the system" so that the taint attached to that money is removed and it begins to circulate in the system. So, really to reach out the offence of money-laundering, we must first establish that a crime is committed. It is the proceeds of that crime which are sought to be hit by section 3 and the punishment is in section 4. So, I think, we must recognise the difference and scope between the Prevention of Money-Laundering Act and the other steps that we are taking to deal with the phenomenon of black money. Sir, Shri Chandran Pillai said that punishment might not be adequate. Well, I am not sure about it. The punishment is up to 7 years or a fine which may extend to Rs. 5 lakhs and in the case of Paragraph 2, Part A offence, the punishment is up to 10 years. I think these are quite deterrent punishments. Seven years and 10 years are quite deterrent punishments. In fact, the people who have studied penology have reported that if you make the punishment too deterrent, the temptation for the court is to acquit the

person. ...*(Interruptions)*... What will happen is, most of the people will get acquitted. That is what will happen. Sir, so far as FERA, FEMA and money-laundering law are concerned, of course, there is an integral connection. Even when I proposed that FERA should be replaced by FEMA, as Shri Jairam Ramesh correctly pointed out, I suggested that we must have another law to deal with money-laundering and that is the law which was passed in 2002.

The gold import liberalisation, certainly, struck at the root of smuggling. Gold was being smuggled into this country. Now smuggling of gold is virtually down to a trickle because gold imports are now allowed into the country through the authorised agencies. As a result of that, the crime of smuggling of gold, not of other things, has come down, and, therefore, the money that arises out of that smuggling activity is also, to that extent, less.

Now a question was asked, "Why do certain offences not find place in the Schedule?" Again, if you understand the Schedule, read the Schedule in the light of what I have explained, what is in the Schedule is, crime which must first be committed and then this offence deals with the proceeds of that crime. Now if you look at Paragraph 5, all the substantive sections of the Prevention of Corruption Act, are included and the substantive sections of the Prevention of Corruption Act are only sections 7 8, 9 and 10. All other Sections have to be read with one or the other sections 7,8,9 and 10. Therefore, once the substantive offence in prevention of Corruption Act, namely sections 7,8,9 and 10 are included, for practical purposes, the whole of the Prevention of Corruption Act is included. A question was put: "Why did you not include the Prevention of Terrorism Act?" Now the Prevention of Terrorism Act, if I recall correctly, was intended to be a temporary law which was extended from time to time. But there can be no offence under the Prevention of Terrorism Act, which does not attract one of the offences mentioned in Part B, Paragraph 1 and Paragraph 2 of the Schedule. Anyone who is charged with an offence under the Prevention of Terrorism Act will invariably be charged with an offence under Paragraph 1 and Paragraph 2 of part B. Once this offence is mentioned, the proceeds of the crime of that offence is attracted.

So far as electronic surveillance is concerned, I may stand corrected by Shri Nariman; my understanding is the law is still not quite settled. In

some cases courts have admitted evidence gathered by the electronic surveillance and in some cases the courts have not admitted such evidence. In fact, electronic surveillance is an issue which concerns admissibility of evidence. It has nothing to do with the substantive offence that we are creating or the machinery that we are setting up to deal with the offence. However the law evolves regarding admissibility of offence gathered through electronic surveillance, that law will apply to any trial under any law. Therefore, that law is evolving now. I am a little rusty now; but I think, that law is not quite evolved. once that law evolves, whatever the Supreme Court lays down will apply to offences under this Act also...

SHRI FALI S. NARIMAN: You may be perfectly right on that. But wouldn't it be better to make it specific in the statute of this import? Have a specific section. Not now, you can have it later. But have a specific section so that we do not get into this quagmire of the Supreme Court deciding or not deciding.

SHRI P. CHIDAMBARAM: I take the point. Let me reflect on that. I take the point because I found that in some cases, they have admitted the evidences, and in some cases, they have not admitted the evidences.

Sir, Mr. Jairam Ramesh is right in what he said about the EIC. The Economic Intelligence Council was indeed set up some time ago, and it is right that it has not met regularly. However, there was a Working Group constituted under the Economic Intelligence Council. That Working Group chaired by the Revenue Secretary has indeed met on the 30th September, 2003, the 1st of October, 2003, and then, after a lull, after the new Government came into being, on the 15th March, 2005. In the meanwhile, I have reconstituted the EIC with a leaner membership. One of the reasons why I found that the EIC had not met was that it was too large a body. It is a body which involves so many people. Now, which agency is willing to share its intelligence with anyone else? There are issues of turf; issues of 'need to know' and issues of privilege. Therefore, we have now made it a leaner body. The Finance Minister chairs the EIC. The EIC, that is, the reconstituted EIC, will meet shortly after the Parliament Session is over...(*Interruptions*)... I expect EIC to be an apex body. The Finance Minister chairs it. At the operating level, the Revenue Secretary chairs the body. So, the Revenue Secretary will have access to all the Intelligence. But, I tell you, there are practical problems in getting so many agencies into one

body. We will have to deal with it as we meet from time to time. As everybody knows, our agency is very zealous about guarding its own information. So, we will have to work our way through.

Mr. Mandal asked as to why Section 29 was omitted. Section 29 is omitted for the simple reason that we are now providing for tenure and qualifications in Section 30 and in the amended Section 28. Section 28 is being amended to make another tribunal, which is already in force as a tribunal here, and in Section 30, we are amending to add the words 'terms and conditions as such'. So, when Sections 28 and 30 are amended, Section 29 is superfluous.

Dr. Subbarami Reddy asked me whether we were going to take action on suspicion. I hope not, In fact, the Section is very different. Now, please see the sections. Section 5, which deals with attachment. Adjudication and confiscation, starts by saying, "Where the Director has reasons to believe (the reasons for such belief to be recorded in writing) on the basis of material in his possessison..." It is not on suspicion. It is a very important safeguard. Likewise, in the Section relating to search and seizure, Section 16 says, "Notwithstanding anything contained in any other provisions of this act, where an authority, on the basis of material in his possession, has reason to believe (the reasons for such belief are recorded in writing), then, the offences under Section 3 has been committed to be entered. So, I think, enough safeguards are there. Nobody will be authorised to act merely on the basis of suspicion.

DR. T. SUBBARAMI REDDY: Sir, why should the infrastructure not be independent?

SHRI P. CHIDAMBARAM: Why are we not having another appellate tribunal; I find that there are a couple of appellate tribunals in this country with very little work. They are under-worked today. They have the same qualifications. Either a serving judge or a retired judge sits there. There is a membership and they are under-worked. Many of them do not have work for more than two days a week. Therefore, what we are saying is not that we cannot have a tribunal but that, for the time being, let me use another tribunal to clear these cases. And how many cases are going to come up? I do not know. Let us see what happens as we go along. We do not want to spend money. I am also, please remember, the Minister of Expenditure.

Shrimati Prema Cariappa recommended a number of actions to deal with black money. Sir, I share those views. For, dealing with black money, we have taken a number of measures and I do not need to go into that in great detail now. This is specific to the offence of money-laundering. We are, indeed, a member of the FATF. It is in order to comply with our obligations under FATF that we have set up the FIU, India. The Director of FIU, India has been appointed. Once this law is notified on the 1st of June, or, soon thereafter, and the rules are promulgated on the same day, we will become a full-fledged member.

As for the question whether our remittances are affected, remittances are not affected. In fact, Dr. Bimal Jalan will bear me out that remittances are pouring in, and increasing year after year. This has nothing to do with our remittances. We are proud of Indians living and working abroad. We are proud of the money that they are remitting to India. We want them to continue to remit money to India. This Act has nothing to do with remittances. Let not any signal go to anyone that this Act has anything to do with remittances. Millions of Indians are working hard, earning and remitting money to India, and they are supporting their families. We are proud of them. This Act has nothing to do with remittances.

With these words, I once again request the hon. Members to support the Bill.

MR. DEPUTY CHAIRMAN: The question is:—

"That the Bill to amend the Prevention of Money-laundering Act, 2002, as passed by Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up clause-by-Clause consideration of the Bill.

Clauses 2 to 8 were added to the Bill.

Clause **1**, *the Enacting Formula and the Title were added to the Bill.*

SHRI P. CHIDAMBARAM: Sir, I move:—

That the Bill be passed.

The qeustion was put and the motion was adopted.

SHORT DURATION DISCUSSION

The recently reconstituted North-Eastern Council

SHRI KARNENDU BHATTACHARJEE (Assam): Sir, I rise to speak on the functioning of the North-Eastern Council. The North-Eastern Council was set up under an Act of Parliament in the year 1972. We did not have eight States, at that time, in the North-Eastern Region. At present, there are eight States in the North-Eastern Region. Again, the scope of the Council was expanded through an amendment of the Act in 2002 and that amendment provided that the NEC will be functioning as a regional planning body for the North-East and that it will formulate specific projects and schemes for the benefit of all those States. In addition, the NEC was also given the task of monitoring and suggesting steps for improvement in the Region. Subsequently, an 11-member committee was formed under the chairmanship of Shri P.P. Srivastava, a retired IAS officer, and he made many recommendations for the revamping of the North-Eastern Council. Sir, when the UPA Government came to power and Dr. Manmohan Singh became the Prime Minsiter—Madam Sonia Gandhi is the Chairperson of the UPA,— he has taken very good steps, in this regard. The Government wants to revamp and revitalise the North-Eastern Council. Accordingly, the hon. Prime Minister has sanctioned more money for the North-Eastern Council. But, the North-Eastern Council is not functioning properly. Sir, only in March, 2005, our hon. Minister for Development of North Eastern Region was made the Chairman of the North-Eastern Council. The North-Eastern Council is very much dependent on the State Governments and there is no proper action plan. There are eight States under the North-Eastern Council. Sir, three-four day's in this House, Shri Lalit Suri put a question about the utilisation of funds in the North-East. In reply to that, the hon. Minister said that the utilisation of funds by the State Governments is not monitored by the Central Ministry, and there is a problem for him to ensure proper utilisation of funds under the various schemes. He explained it in the House. Sir, the hon. prime Minsiter is very unhappy about the non-implementation of projects in the North-East. This is the golden opportunity for the North-Eastern Region to develop through the North-Eastern Council